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01984263 Supplier Number: 42541660 (THIS IS THE FULLTEXT)

Car auction reaches into space

Automotive News, v66, n5421, p6

Nov 25, 1991

TEXT:

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Staff Reporter

TOKYO - Makoto Ishida remembers - not at all fondly - what he used to go through to keep his small specialty-car dealerships in suburban Kawasaki and Yokohama stocked.

Three times a week, he recalled in a recent interview, he would hit the road at about 7 a.m. to visit car auctions around Japan. The drive might take hours on Japan's clogged roads. Then the search for a parking space, typically an enormous hassle, would eat up more time.

Finally, Ishida says, he would get down to the job of checking out hundreds of vehicles and trying to stay alert through an auction that might last until 9 p.m.

"It was all very tiresome," the 31-year-old Ishida says.

Ishida's recollections are likely to ring a bell for thousands of American dealers, who collectively trade 10 million used cars and trucks a year at auction.

But while a trip to auction is still a basic part of the U.S. car business, for Ishida it is mostly a recollection.

Now hooked into a satellite system being considered for the U.S. market, Ishida and hundreds of other dealers in Japan can participate in auctions without leaving their offices.

With the system, textual information and graphics on cars being offered are transmitted via satellite to member dealers and displayed on computer screens. A keyboard command from the dealer tells the auction house that he wishes to buy a given car, and at what price.

Dealers in the system don't have to spend hours any longer watching a parade of cars pass by in which they have no interest; a computerized directory lists the days' auction offerings, and dealers select for viewing only the cars that interest them.

Looking back, Ishida says he now finds the slow pace of the traditional, hands-on auction a little embarrassing.

When bidding time comes, he sits at his computer terminal and can decide on, bid for a buy a car in 20-to-30 seconds. "It's just like a video game," he says.

Ishida belongs to a system run by Aucnet, a group that is now exploring the potential of the U.S. market. Satellite TV services have become big business in Japan, and Aucnet is a division of one satellite group, Japan Business Television Inc.

JBT started offering car auctions, using laser disc, in 1985, but switched to satellite in 1989. According to Aucnet president Masataka Fujisaki, the company has signed up 2,500 of Japan's approximately 20,000

dealers and handles an estimated 7 percent of the country's auction volume.

The auctions handle about 200 cars an hour on three days - Saturday, Sunday and Monday - from 10 a.m. to 6 or 7 p.m. Dealers receive a list of models up for auction every Friday, which includes an average price range, mechanical problems, and a rating from one of Aucnet's 80 government-licensed inspectors.

Because dealers are buying cars they haven't seen, the inspection system is at the heart of Aucnet's credibility - and success. Each car handled by Aucnet is put through a rigorous reconditioning process which, although rare, can include repainting and engine rebuilding.

At the completion of the process, a federally licensed inspector must certify that the car meets government standards for reconditioned vehicles. If it does not, it cannot be sold.

Although his system has been gaining credibility with Japanese dealers, says Fujisaki, "some dealers still don't like to buy without seeing the model."

But, he adds, "They are coming to believe in the system."

Ishida concedes that he too started out as a disbeliever.

"I thought the system would collapse in a year," he says. "But now, I'm not worried."

Ishida and his brother run a small dealership that they inherited from their father. The company, called Auto-Freak, is aimed at the sports/offroad set, typically young single men in their late 20s and 30s.

Ishida says he handles about 160 new and used units a month.

About 20 percent of the used cars he takes in come from other dealers, and just about all of those come through either Aucnet or another service called Jaanet, which uses telephone lines rather than satellite.

Of the two, Aucnet has the more experienced personnel, Ishida says.

Still, despite the freedom the new system offers, it falls short of being perfect, says Ishida.

"You cannot get a real feel for market demand" through computerized auctions, he says.

And because Aucnet cars are subjected to such a rigorous reconditioning system, their prices may be higher than the actual market, Ishida says.

High quality brings another problem. "When you go to auction you might want to get rid of your inventory even if it sometimes fetches a little lower price," he says. Aucnet's standard of handling only "higher-value" reconditioned cars limits the type of car that dealers can sell through it. At

an old-style hands-on auction, Ishida says, he could clear 60 percent of his inventory. Through Aucnet, the figure is 40 percent or lower.

Still, Ishida says the system has freed him from the need to attend auctions regularly. And that was the point of joining, he says.

Fujisaki says he is exploring the possibility of launching a similar service in the United States, "probably starting in California." The company did a pilot test in the United States a few years ago with a non-satellite system and got "good results," he says.

Now he thinks the company is ready to team up with a partner in the United States to offer a satellite service on a regional basis.

But Peter Lukasiak, executive director of the U.S. National Auto Auction Association, points out that satellite auctions may not be as needed in the United States.

"We're not under the same pressure in the United States to develop alternative systems," he said. "For one thing, the limited land in Japan forced them to try other methods, and that's just not a factor here."

Another major difference is that Japan, unlike the United States, has federal standards and licensing procedures for reconditioned cars. Buyers often believe they can waive a hands-on inspection of a car in the knowledge that it has met stringent minimum standards, he suggested.

"The system of federal standards (in Japan) is what makes the remote-auction system work," he said. "We have nothing like it in the U.S."
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Staff Reporter Charles M. Thomas in Detroit contributed to this report.
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